

Mr. Mitch Clary, Director of Reimbursement  
Pruitt Corporation  
Post Office Box 1210  
Toccoa, Georgia 30577

Re: AC# 3-OHC-J5 – Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care  
Center

Dear Mr. Clary:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**SOUTHERN MEDICAL OF WALTERBORO, INC.  
D/B/A OAKWOOD HEALTH CARE CENTER**

**WALTERBORO, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1996  
AC# 3-OHC-J5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 12, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center dated as of October 1, 1994 and November 1, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
June 12, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**OAKWOOD HEALTH CARE CENTER**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1996  
AC# 3-OHC-J5

	10/01/96- <u>09/30/97</u>
Interim reimbursement rate (1)	\$74.58
Adjusted reimbursement rate	<u>72.54</u>
Decrease in reimbursement rate	\$ <u><u>2.04</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

### OAKWOOD HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1996 Through September 30, 1997  
AC# 3-OHC-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.06	\$34.96	\$43.70	\$34.96
Dietary	<u>.60</u>	<u>7.16</u>	<u>8.59</u>	<u>7.16</u>
Subtotal	<u>\$3.66</u>	42.12	52.29	42.12
Laundry/Housekeeping/Maint.	\$ .86	6.18	7.04	6.18
Administration & Med. Rec.	<u>2.00</u>	<u>6.55</u>	<u>8.55</u>	<u>6.55</u>
Subtotal	<u>\$2.86</u>	54.85	<u>\$67.88</u>	54.85
<u>Costs Not Subject to Standards:</u>				
Utilities		1.04		1.04
Special Services		.35		.35
Medical Supplies & Oxy.		4.48		4.48
Taxes and Insurance		.80		.80
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$61.52</u>		61.52
Inflation Factor (4.90%)				3.01
Cost of Capital				6.01
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.15
Cost Incentive - For Gen. Serv. & Dietary				3.66
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(4.06)
Minimum Wage Add On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$72.54</u>

**OAKWOOD HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,664,978	\$ -	\$12,770(3) 437(3) 3,682(5)	\$1,648,089
Dietary	338,963	-	1,598(3)	337,365
Laundry	93,126	-	527(3)	92,599
Housekeeping	137,233	461(6)	1,875(3) 494(7)	135,325
Maintenance	63,768	213(6)	309(3) 42(4) 224(7)	63,406
Administration & Medical Records	358,462	173(3) 109(6)	41,900(2) 258(3) 4,578(4) 3,192(5) 118(7)	308,698
Utilities	49,166	164(6)	174(7)	49,156
Special Services	16,369	615(5)	642(3)	16,342
Medical Supplies & Oxygen	221,746	-	10,477(5)	211,269
Taxes & Insurance	38,697	126(6)	902(4) 128(7)	37,793
Legal Fees	4,697	1(6)	4,698(4)	-
Cost of Capital	288,521	195(6)	237(1) 4,584(4) 186(7) 174(8)	283,535
Subtotal	3,275,726	2,057	94,206	3,183,577



**OAKWOOD HEALTH CARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	43,429	-	-	43,429
Non-Allowable	619,302	237(1) 41,900(2) 18,243(3) 14,804(4) 16,736(5) 1,324(7) 174(8)	1,269(6)	711,451
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$3,938,457</u>	<u>\$95,475</u>	<u>\$95,475</u>	<u>\$3,938,457</u>
Total Patient Days	<u>47,143</u>	<u>-</u>	<u>-</u>	<u>47,143</u>
Total Beds	<u>132</u>			

**OAKWOOD HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,730	
	Nonallowable	237	
	Fixed Assets		\$ 1,416
	Other Equity		314
	Cost of Capital		237
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	41,900	
	Administration		41,900
	To disallow related party interest expense HIM-15-1, Section 218		
3	Nonallowable	18,243	
	Medical Records	173	
	Nursing		12,770
	Restorative		437
	Dietary		1,598
	Laundry		527
	Housekeeping		1,875
	Maintenance		309
	Administration		258
	Special Services		642
	To adjust payroll tax expense to allowable HIM-15-1, Section 2304		
4	Nonallowable	14,804	
	Maintenance		42
	Administration		4,578
	Legal		4,698
	Taxes and Insurance		902
	Cost of Capital		4,584
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**OAKWOOD HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Special Services	615	
	Nonallowable	16,736	
	Nursing		3,682
	Administration		3,192
	Medical Supplies		10,477
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Housekeeping	461	
	Maintenance	213	
	Administration	109	
	Legal	1	
	Utilities	164	
	Taxes and Insurance	126	
	Cost of Capital	195	
	Nonallowable		1,269
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable	1,324	
	Housekeeping		494
	Maintenance		224
	Administration		118
	Utilities		174
	Taxes and Insurance		128
	Cost of Capital		186
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**OAKWOOD HEALTH CARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

ADJUSTMENT NUMBER	ACCOUNT TITLE	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable Cost of Capital	174	174
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>97,205</u>	\$ <u>97,205</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**OAKWOOD HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>132</u>
Deemed Asset Value	4,220,436
Improvements Since 1981	148,073
Accumulated Depreciation at 9/30/95	<u>(1,093,084)</u>
Deemed Depreciated Value	3,275,425
Market Rate of Return	<u>.070</u>
Total Annual Return	229,280
Return Applicable to Non-Reimbursable Cost Centers	(772)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	228,508
Depreciation Expense	58,747
Amortization Expense	-
Capital Related Income Offsets	(3,534)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(186)</u>
Allowable Cost of Capital Expense	283,535
Total Patient Days (Minimum 97% Occupancy)	<u>47,143</u>
Cost of Capital Per Diem	\$ <u><u>6.01</u></u>

**OAKWOOD HEALTH CARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OHC-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u><u>\$8.82</u></u>
Reimbursable Cost of Capital Per Diem	\$6.01
Cost of Capital Per Diem	<u>6.01</u>
Cost of Capital Per Diem Limitation	<u><u>\$ -</u></u>